

To The Senate:

July 17th, 1916

May we ask that Senators, before acting finally on the Naval Bill, consider certain aspects of the Government armor plant proposition?

In considering these aspects, we respectfully request that Senators keep in mind at all times our offer to make armor for the United States Government at its own price.

SENATOR OLIVER has introduced an amendment providing that the money for the Government plant shall not be available until the Federal Trade Commission has investigated the facts, determined what ought to be a fair price for armor-plate, and the manufacturers have been afforded an opportunity to make armor at or below that price.

We maintain no lobby at Washington to urge our views on any subject; we have advocated no plan of preparedness; our desire is to serve the United States Government to the extent and in the manner which the Government itself wishes to be served.

We have been seeking earnestly for several months past to bring to the attention of Congress and the public the reasons why we believe it would be wasteful to construct a Government armor plant. We have sought to answer candidly and frankly every criticism which has been made, and every reason urged for a Government plant.

1. It has been said that we have charged extortionate prices for armor-plate.

Our reply is that, according to official records of the Navy, this Government has for twenty years paid less for armor than any other great naval power.

2. It has been said that it costs only \$269 a ton to manufacture armor; whereas we have been paid \$425—an "exorbitant price."

Our reply is that \$269 is the estimated shop cost in a 20,000-ton plant running full. The Naval Bureau of Ordnance reported June 28, 1913, that in a 10,000-ton plant running at one-half capacity the cost would be \$394 per ton—with no allowance for interest. If interest were charged, the cost would be \$49 per ton more.

Our plant in over 29 years has been operated at an average of about one-third capacity. We could at any time have manufactured armor much more cheaply if orders had been more nearly equal to our capacity. If we had put into a commercial steel plant the same amount of money we have invested in an armor factory our profits from the steel plant investment would be as great as have been our annual gross receipts from the armor plant. Armor manufacture in fact is the most difficult and the least profitable feature of the steel business.

3. It has been said that our offer is a "death-bed repentance;" that if the Govern-

ment plant is not built we will soon be trying to "hold up" the nation again.

Our reply is that our offer is made in complete confidence that a thorough examination will show that our past prices have been reasonable, and that the lowest price at which the Government can possibly manufacture armor, accounting for all proper charges, but entirely without profit, would be higher than the prices at which we could manufacture and earn a small profit.

We say this not in a spirit of boasting, but because our plant was built under economical conditions, and because our operation in connection with other steel undertakings, together with our long experience, make it possible for us to effect economies which the Government itself could not realize.

We also agree to make our offer good just as long as the Government so desires.

4. It has been said that we have threatened in case the Government armor plant was authorized, to raise the price of armor while the Government plant was being built.

Our reply is that we have made no such threat and we have authorized no one to make on our behalf any threat of any kind. We do not do business that way.

5. It has been said that we have sold armor plate abroad cheaper than in this country.

Our reply is that most of the total amount sold abroad cheaper than in this country was for sample purposes (later followed by orders at higher prices than those paid in the United States), and that aside from three small testing plates sold to Japan, not in 21 years has the Bethlehem Steel Company sold a pound of armor to a foreign country at as low a price as that prevailing in the United States at the same time.

6. It has been said that we refused to open our books to the Government to enable a determination to be made of the profits of armor manufacture.

Our reply is that we have been perfectly willing to submit our records to our own Government for its own information and guidance, but unwilling to have our records published for the information of other Governments or private manufacturers, especially in Europe.

7. It has been said that we have been in collusion with other manufacturers with whom we were supposed to compete, and

that the Government has been at the mercy of a combination.

Our reply is that the Government has pursued a policy making any real competition in armor-plate ineffective. The Government has asked for bids from the three manufacturers, but no matter what the prices quoted, each year's business was divided among them. If the Government had desired real competition it would each year have given the entire order to the lowest bidder. It has been the Government itself, and not the manufacturers who have prevented competition.

We must say in all candor that we feel the Government policy has been correct. The Government is practically the only customer in the armor business. The question is somewhat similar to that of railroad transportation: the solution of the problem is Government investigation and regulation.

When the people felt that the railroad rates should be controlled, they gave necessary power to the Interstate Commerce Commission; they did not build Government railroads to supplant those already existing.

8. It has been said the existence of private armor plants creates an insidious temptation on the part of the manufacturers to encourage preparations for war; indeed to promote war itself.

Our reply is our offer to manufacture armor at any price the Government may fix, leaving it in the power of the Government, if it so wishes, to fix a rate of profit on armor so low as to counteract any unwholesome or undesirable ambitions to make "profits out of war."

We undertook armor making at the behest of the United States Government. We have invested \$7,000,000 in our armor plant which is useful only for that purpose. If a Government factory supplants our own, our plant is rendered valueless—and the Government is deprived of a valuable reserve factor of safety in national defense.

We cannot believe that when the Congressional program to authorize a Government armor plant was decided upon, all of the foregoing considerations were in the minds of Congress; we are very sure that many Members of Congress did not realize how earnestly desirous we were of doing the fair and square thing by the Government, a purpose which we have sought to express in our offer to make armor at the Government's own price.

Our Company is not in politics. We cannot see that there is any Democratic or Republican aspect to the quality of armor-plate or the price paid for it. It is a business question, which, we respectfully submit, ought to be determined solely upon engineering and business grounds.

Is it too much, therefore, to appeal to Congress to give heed to the foregoing suggestions, and to stipulate that before \$11,000,000 of the public money shall be expended in a Government armor plant, the Government's own agent, the Federal Trade Commission, shall make a thorough inquiry, and name a price at which it will be advantageous to the public to have armor-plate manufactured in the private plants already existing and adequate for all purposes?

CHAS. M. SCHWAB, Chairman
EUGENE G. GRACE, President

Bethlehem Steel Company